

01

IN THE NEWS

Proposed changes to benefits and contributions

02

OF NOTE

Most benefits unchanged under proposal

03

NOW AVAILABLE

Making benefit changes: how it may work

IN CASE YOU MISSED IT

Fiscal year 2009 highlights

04

COMING UP

New contribution rates July 1

BE PREPARED

Furloughs, layoffs, and IPERS benefits

05

COMING UP

Benefit education, retirement counseling, the census, and taxes

06

COMING UP

Individual counseling sessions

Inside IPERS

WINTER 2010

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM MEMBER NEWSLETTER

PROPOSED CHANGES

ALL MEMBERSHIP CLASSES

Contribution rate adjustments, effective 07/01/11

- Maximum change each year of 1 percentage point up or down (now: changes limited to 0.5 percentage point)
- Rates based on actuary's annual valuation that examines IPERS' funding

REGULAR MEMBERSHIP CLASS ONLY

Contribution rate, effective 07/01/11

- 13.45 percent of wages (now: would be 11.95 percent on that date)
- Employees continue to pay 40 percent of the contribution; employers 60 percent

Benefits, effective 07/01/12

- Seven years to vest (now: four years)
- Average of the highest five years' wages in benefit formula (now: highest three)
- Reduce benefits 6 percent a year if a member retires before normal retirement age (now: benefits reduced 3 percent for each year retired before normal retirement age*)

*Age 65, Rule of 88 (age + years of service = 88), or Rule of 62/20 (age 62 with 20 years of service)

IN THE NEWS

BAC PROPOSAL TO CHANGE BENEFITS AND CONTRIBUTIONS ADVANCES IN LEGISLATURE

The legislative Public Retirement Systems Committee agreed with the IPERS Benefits Advisory Committee (BAC) recommendation to increase contributions and change some benefits for regular IPERS members. The proposal is aimed at balancing IPERS' long-range funding. Thirty-year projections indicate the benefits employees are earning are growing faster than the assets that will be available to pay benefits when employees retire.

The proposal must still go through a full legislative review. The governor must also approve any changes the legislature approves.

No changes allowed

- Monthly benefits to current retirees

No changes proposed

- Benefits for Special Service members
- Most parts of the benefit plan for regular members, such as:
 - *Normal retirement age**
 - *Benefit multiplier used to determine benefit amounts (2%/year for first 30 years of IPERS-covered employment, 1%/year for years 31-35)*
 - *Lifetime benefit guarantee at retirement*
 - *Death benefits*
 - *Disability benefits*

IPERS MEMBERSHIP CLASSES**REGULAR MEMBERS**

- Regular membership class (95 percent of membership)

SPECIAL SERVICE MEMBERS

- Sheriffs and deputies
- Protection occupations (police officers, firefighters, other public safety jobs)

*Age 65, Rule of 88 (age + years of service = 88), or Rule of 62/20 (age 62 with 20 years of service)

MOST BENEFITS FOR EMPLOYEES

UNCHANGED BY LEGISLATIVE PROPOSAL

Although there has been a lot of discussion about possible changes to benefits employees have not yet earned, every proposal studied kept more of the current IPERS plan than it would have changed. Recommended changes included in the proposal passed by the legislative Public Retirement Systems Committee do not touch most parts of the benefit plan for regular members. The proposal still must go through a full legislative review and the governor must agree to any changes the legislature approves.

The following would not change:

- The Rule of 88 and Rule of 62/20
- The current benefit multiplier (2% a year for first 30 years and 1% for years 31–35)
- The lifetime benefit guarantee at retirement
- Death benefits
- Disability benefits

Changes to the benefit plans for Special Service members (sheriffs/deputies and members working in protection occupations) have not been discussed either. These groups have been paying the right amount of contributions to IPERS. Unlike rates for regular members, which have been set by law, the contribution rates for sheriffs, deputies, and employees in protection occupations are adjusted by IPERS each year based on the actuarial valuation. Basing rates off the actuarial valuation ensures contribution rates keep up with the value of benefits being earned.

To minimize the impact on employees who have already earned benefits but have not yet retired, transition rules will ensure they get full credit for the

time they work before the law changes. The rules will allow enough transition time so anyone considering retirement has time to adjust plans.

Possible bona fide retirement changes

Two legislative proposals would affect IPERS' bona fide retirement period, the time that IPERS members must not work in IPERS-covered employment to qualify for retirement benefits.

One change would extend a temporary law that allows licensed health care professionals such as nurses to retire and return to work in one month. Other employees must stay out of work for at least four months to have a bona fide retirement and receive IPERS benefits.

The Iowa Hospital Association has advocated for the exception because it is difficult for hospitals to fill some critical positions, such as those in nursing. The law change would extend the exception through June 2011, giving IPERS and the Iowa Hospital Association time to further study the effect of the shortened bona fide retirement period.

The other change would create an exception for members called to state active duty with the Iowa National Guard, as can happen during state emergencies such as floods. The Guard is an IPERS-covered employer. Since retirees cannot work for an IPERS-covered employer right after retirement, there is a potential problem if one must respond to a state emergency shortly after beginning to receive IPERS benefits. The change would allow IPERS to continue paying benefits without penalty.



MAKING BENEFIT CHANGES: HOW IT MAY WORK

The legislature and governor decide *whether* IPERS benefits will change, *what* benefits will change, and *when* changes will occur. IPERS will recommend transition rules for *how* to change benefits and preserve rights to the benefits already earned. Benefits already earned are awarded when members apply for them, no matter when they apply.

EXAMPLES OF POSSIBLE TRANSITION RULES

(The legislature could approve different transition rules or make the changes effective on a different date.)

High three-year to high five-year average salary

- 1) Record the three highest annual wage amounts on June 30, 2012.
- 2) Identify the five highest annual wage amounts at retirement.
- 3) Calculate the average of both, and use the higher average in the benefit formula.

Four-year to seven-year vesting period

- 1) If vested under current rules (four years of service or age 55 and contributing to IPERS) on June 30, 2012, stay vested even with less than seven years of service.
- 2) If not vested on June 30, 2012, will vest at seven years of service or at age 65 when working in IPERS-covered employment.

Early retirement benefit reduction

- 1) Reduces benefits for early retirement to offset increased costs.
- 2) Applies only if you retire before age 65 and do not meet Rule of 88 (age + years of service = 88) or Rule of 62/20 (at least age 62 with at least 20 years of service).
- 3) No early retirement reduction if eligible for disability benefits.
- 4) Transition for those vested on June 30, 2012
 - a) Current, more lenient rule applied to the portion of the retirement benefit for service earned before June 30, 2012 (reduce benefits by 3 percent for each year retired before reaching normal retirement age).
 - b) New rule applied to the portion of the benefit earned for service after June 30, 2012 (reduce benefits by 6 percent for each year of retirement before age 65).

In case you missed it

NINE FROM '09

Highlights from the
fiscal year 2009 summary

Trust Fund value:
\$17.97 billion

Benefits

- Total paid: **\$1.18 billion**
- Paid in Iowa: **\$1.04 billion**

Investment returns

- FY2009 investment return:
-16.27%
- Annualized investment return
FY1981–FY2009: **10.02%**

Membership

- **324,411** total members
- **89,852** retirees
- **167,717** active (contributing) members

Funded ratio: **81.2%**

(Actuarial assets divided by actuarial liabilities)
IPERS' funded ratio is a measure that includes estimated *future* obligations. It does not measure IPERS' ability to pay current benefits.

NEW CONTRIBUTION RATES

JULY 1, 2010

Contribution rates, the percentage of your wages you and your employer contribute to IPERS, change July 1. All employees will contribute more—regular members 0.2 percentage point more; members in protection occupations 0.5 percentage point more; sheriffs and deputies 1.32 percentage points more. There is a [link to current contribution rates](#) on the home page of IPERS' Web site.

Contribution rates 7/1/10–6/30/11			
MEMBERSHIP CLASS	MEMBER SHARE	EMPLOYER SHARE	TOTAL
Regular members	4.50%	6.95%	11.45%
Sheriffs and deputies	8.94%	8.94%	17.88%
Protection occupations	6.64%	9.95%	16.59%

FURLOUGHS, LAYOFFS, AND IPERS BENEFITS

Be prepared

Furloughs will not hurt your retirement benefits if you do not retire for many years. However, if you must take unpaid days during a year that would be one of the years you earn the most in IPERS-covered wages, the furlough can reduce your IPERS benefits.

You can prevent this by paying to IPERS the contributions missed during your unpaid time off. You have to pay your employer's share plus your own share, but it can make a difference in your monthly benefits—for life.

If you have questions, call IPERS. We can estimate your benefits with and without the contributions so you can decide if you want to pay them. You

should do this before signing your application to make up contributions, because you cannot cancel the application after you submit it. The application form, instructions, and answers to many questions we have received are on IPERS' Web site.

If your temporary layoff becomes permanent, you have several choices you can make about your IPERS benefits. [Answers to common questions](#) about layoffs and IPERS benefits are on the IPERS Web site. An IPERS publication, [Leaving IPERS-Covered Employment Before Retirement: Choosing the Best Alternative for You](#), addresses the topic in detail.

ONLINE SERVICES

PROVIDE EASY ACCESS TO IPERS

IPERS members now have more choices when preparing for retirement. You can participate in real-time online counseling and attend a group presentation online.

Online counseling adds a new dimension to previously used telephone counseling. With a computer and your phone, you can log in to IPERS' secure computer system and see what your retirement counselor is seeing on the screen while talking on the phone. IPERS will still mail you a printed estimate of your benefits after the call. To set up online counseling, call 1-800-622-3849 and speak with a retirement counselor.

IPERS staff will soon begin supplementing [in-person counseling sessions held throughout Iowa](#) with online options provided in conjunction with the State of Iowa Human Resources Enterprise. You can get the same information you would receive during a group presentation, but you won't have to start your car or shovel the driveway!

You will be able to register online for a scheduled interactive group presentation, or you can view a recorded session anytime. IPERS will add a link on the training and retirement planning page in the Members section of www.ipers.org.

Online services save money

IPERS' goal of improving member services by providing more information online saves money. Although IPERS does not get an appropriation from the legislature, and instead pays expenses from the IPERS Trust Fund, IPERS strives to keep costs down. IPERS voluntarily cut its fiscal year 2010 budget by more than 10 percent through furloughs, keeping staff positions open, and reducing expenses such as staff travel. IPERS reduced its fiscal year 2010 travel and training budget by over \$78,000.



eFile taxes for a fast refund

FROM THE IOWA
DEPARTMENT OF REVENUE

Most filers receive refunds and want them fast. To get your refund in ten days or less, electronically file through the Iowa Department of Revenue Web site, purchased software, or tax professionals. Last year 74 percent of Iowa returns were e-filed.

The Iowa Department of Revenue Web site has links to companies that provide online filing of federal and Iowa income tax returns. Click the e-file logo at www.state.ia.us/tax to find two categories of electronic filing: "eFile for Free" and "eFile for a Fee." Those who do not qualify to file free will discover that online filing is not expensive.

If your cause is green, you should know that e-filing is good for the environment. The Department of Revenue and e-filers use and store little, if any, paper.

BE COUNTED!

Your participation in the [2010 Census](#) brings home \$3.5 billion of federal dollars to Iowa every year.

2010 Census
It's in Our Hands



INDIVIDUAL COUNSELING SESSIONS

CALL IPERS AT **1-800-622-3849**
TO MAKE AN APPOINTMENT.

Des Moines	IPERS, 7401 Register Drive	March 2–3
Des Moines	IPERS, 7401 Register Drive	March 9–10
Cedar Rapids	Residence Inn, 1900 Dodge Road, NE	March 22–25
Davenport	Staybridge Suites, 4729 Progress Drive	April 12–15
Des Moines	IPERS, 7401 Register Drive	April 20–21
Mason City	Country Inn & Suites, 4082 Fourth Street, SW	May 24–27
Dubuque	Country Inn & Suites, 1315 Associates Drive	June 7–10
Des Moines	IPERS, 7401 Register Drive	June 15–16
Burlington	Fairfield Inn & Suites, 1213 North Roosevelt Avenue	June 21–24
Sioux City	AmericInn, 4230 South Lewis Boulevard	July 12–15
Des Moines	IPERS, 7401 Register Drive	July 20–21
Council Bluffs	Spring Hill Suites, 3216 Plaza View Drive	July 26–29

Call IPERS to discuss what kind of counseling is right for you. In-person counseling is available at the IPERS office in Des Moines during regular business hours. It is also available by appointment on the evenings of the Des Moines dates listed above. Daytime and evening appointments are available at the other locations.



IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

7401 Register Drive
P.O. Box 9117
Des Moines, Iowa 50306-9117

TOLL-FREE
1-800-622-3849

PHONE
515-281-0020

OFFICE HOURS
8 a.m.–4:30 p.m.

PHONE CENTER HOURS
7:30 a.m.–5 p.m.

E-MAIL
info@ipers.org

WEB SITE
www.ipers.org